

Steps toward Becoming a Truly Global MedTech Company

Becoming a Truly Global MedTech Company

In January 2019, Olympus announced its corporate transformation plan, *Transform Olympus*. In November of the same year, we announced our corporate strategy in which we presented our goal to achieve an adjusted operating margin*1 of over 20% in fiscal year 2023, a level equivalent to that of global competitor MedTech companies. We accelerated transformation to become a truly global MedTech company. In addition to sales growth, we have achieved an adjusted operating margin of 20% in fiscal year 2023 due to steady implementation of reducing costs and improving capital efficiency.

FY2020 (Result) >>

Adjusted operating margin

13.5%

Initiatives and Priority Measures

- Achieved significant SG&A efficiency (¥32.5 billion reduction, or 7% decrease, from fiscal year 2019)
- Steadily progressed the corporate transformation plan, *Transform Olympus*
- Broadened perspectives in management and accelerated management action as a result of diversifying the Board of Directors and migration to a company with a Nominating Committee, etc.
- Development of next-generation gastrointestinal endoscopy system in the Endoscopic Solutions Business
- Built a business base for the Therapeutic Solutions Business and invested resources in key focus areas
- Integrated global group management, and strengthened business execution
- Established the globally integrated HR management that enables optimal talent allocation at the global level
- Recruited and placed human resources, regardless of nationality, age, or gender, within the Olympus Group, and actively hired external personnel with a wide range of experience, knowledge, and abilities

Supporting Financial Indicators (Result)*2

Adjusted FCF	¥71.1 billion
Adjusted ROIC	10.7%
Adjusted EPS	¥45.49

FY2021 (Result) >>

Adjusted operating margin

14.1%

Initiatives and Priority Measures

- Made steady progress on the corporate transformation plan, *Transform Olympus*
- Formulated materiality items that moves us toward sustainable business growth and a sustainable society
- Completed the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021
- Launched the EVIS X1 advanced endoscopy system—the first new model in about eight years—in Europe, Japan, and some parts of Asia
- Conducted multiple M&A to drive growth in the Medical Business (GI endoscopy: Arc Medical Design Ltd.; Orthopedic: FH ORTHO SAS; Surgical: Quest Photonic Devices B.V.)
- Reorganized the product development structure (a system in which specialized functions, such as quality, R&D and manufacturing, strengthen their cooperation from the early stage to develop products that are safer and more effective)
- Implemented “Career Support for External Opportunity” in Japan

Supporting Financial Indicators (Result)*2

Adjusted FCF growth	+11.6% (¥79.4 billion)
Adjusted ROIC	10.3%
Adjusted EPS growth	+37.2% (¥62.42)

FY2022 (Result) >>

Adjusted operating margin

19.3%

Initiatives and Priority Measures

- Continued to foster a culture of corporate transformation by promoting top-down and bottom-up initiatives through *Transform Olympus*, our corporate transformation plan
- Implemented ESG initiatives that contribute to a sustainable society (Selected as Dow Jones Sustainability World Index (DJSI World))
- Decided to reorganize Scientific Solutions Business through Company Split and accelerated efforts to implement Company Split. (In August 2022, Olympus decided to transfer all shares of its subsidiary Evident Corporation, which is engaged with the Scientific Solutions Business, to third party)
- Expanded sales of EVIS X1 advanced endoscopy system through launch execution in current markets
- Established Olympus Innovation Ventures, a corporate venture capital fund
- Formulated strategic initiatives for the Medical Business (Olympus Investor Day 2021)
- To develop safer and more effective products, we strengthened cross-functional collaboration among specialized functions, such as QARA, R&D, and manufacturing from the early stages of product development

Supporting Financial Indicators (Result)*2

Adjusted FCF growth	+35.9% (¥131.3 billion)
Adjusted ROIC	17.1%
Adjusted EPS growth	+46.6% (¥97.73)

FY2023 (Result) >>

Adjusted operating margin

20.0%

Revenue CAGR*3

4.6%

Initiatives and Priority Measures

- Further strengthened capabilities to respond to changes in the environment and all risks in both a flexible and timely manner
- Continued to expand sales of EVIS X1 advanced endoscopy system through launch execution in current markets and preparation of launch into new markets including the U.S. and China
- Launched surgical endoscopy system VISERA ELITE III in Europe, Japan, and some parts of Asia
- Explored and conducted multiple M&As to further strengthen our core competencies and expand our portfolio (GI endoscopy: Odin Vision; GI-Endotherapy: Taewoong Medical Co., Ltd.*1)
- (Fiscal year 2024) Olympus transferred Evident Corporation, a specified subsidiary of Olympus, to a special purpose company indirectly owned by funds advised by Bain Capital Private Equity, LP. The transfer was completed in April 2023

Supporting Financial Indicators (Result)*2

Adjusted FCF growth	+6.2% (¥85.3 billion)
Adjusted ROIC	18.4%
Adjusted EPS growth	+35.8% (¥113.86)

Financial Guidance and Supporting Financial Indicators of Our Corporate Strategy in 2019*2

		FY2023 Targets
Financial guidance	Adjusted operating margin	> 20%
	Adjusted FCF growth	> 20%**
Supporting financial indicators	Adjusted ROIC	> 20%
	Adjusted EPS growth	> 25%**

Announced new company strategy (May 2023)

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*1 The closing of the Taewoong Medical Co., Ltd. acquisition is not yet determined

*2 The following adjustments made to each indicator. M&A relates to fiscal year 2020 and later (after the launch of our corporate strategy in 2019).

• Adjusted Operating profit and EPS: Operating Profit excludes “Other income/expenses.” No adjustments are made for the impact of exchange rate fluctuations; actual exchange rates are used.

• Adjusted ROIC: “Other income and other expenses” and “Depreciation and amortization of intangible fixed assets related to M&A” are deducted from operating profit after tax. (Tax rate: Japan’s statutory effective tax rate of about 30% is used.) “M&A-related assets (goodwill and intangible assets related to M&A)” is deducted from working capital. No adjustments are made for the impact of exchange rate fluctuations, and actual exchange rates are used.

• Adjusted FCF: “Cash inflows and outflows of other income and other expenses,” “M&A-related expenditure,” and “Business restructuring-related expenditure” are deducted. No adjustments are made for the impact of exchange rate fluctuations, and actual exchange rates are used.

*3 CAGR based on continuing operations adjusted for foreign exchange impacts over the three-year period starting in fiscal year 2020

*4 Three-year CAGR from fiscal year 2020